

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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/095 W

----- 129827

R 081125Z AUG 75

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 8612

INFO AMEMBASSY MOSCOW

AMEMBASSY VIENNA

USNATO BRUSELS 751

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VIENNA FOR USEWTC

E.O. 11652: N/A

TAGS: EALR, ECON, CZ

SUBJECT: A FIRST GLIMPSE AT SIXTH FIVE-YEAR PLAN (1976-1980)

1. BEGIN SUMMARY: MALCOLM BROWNE, NYT CORRESPONDENT, SHARED WITH EMBOFF HIGHLIGHTS OF HIS INTERVIEW AUGUST 6 WITH OFFICIAL OF CZECHOSLOVAK STATE PLANNING COMMISSION. IN WIDE RANGING DISCUSSION CENTERING MAINLY ON SIXTH FIVE-YEAR (FYP), 1976-1980, OFFICIAL REVEALED MANY INSIGHTS INTO CZECH GOVERNMENT'S CURRENT THINKING ON PROSPECTS FOR ECONOMIC GROWTH AND PRIORITIES NEEDED TO ATTAIN IT. ONE IMPORTANT FACT WAS THAT CZECHS PLAN TO IMPORT MACHINERY AND TECHNOLOGY FROM WEST OVER NEXT FYP TO TUNE FO \$3.5 BILLION IN EFFORT TO MODERNIZE AND REJUVENATE OBSOLESCENT PLANT AND EQUIPMENT. END SUMMARY.

2. MALCOLM BROWNE, NEW YORK TIMES CORRESPONDENT, PROVIDED  
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EMBOFF UWTH BRIEF RUNDOWN OF RARE INTERVIEW HE WAS GRANTED

AUGUST 6 WITH RANKING OFFICIAL (RYBNIKAR) IN STATE PLANNING COMMISSION ON SUBJECT OF SIXTH FYP (1976-1980). (ADDRESSEES ARE REQUESTED TO PROTECT BOTH SOURCES AT LEAST UNTIL AFTER BROWNE'S WRITE-UP OF INTERVIEW -- IF ANY -- APPEARS IN PRESS.)

3. REGRETTABLY, IT WAS NOT POSSIBLE IN COURSE OF HURRIED CONVERSATION EMBOFF HAD WITH BROWNE TO GLEAN ALL LATTER HAD LEARNED DURING HIS INTERVIEW WITH STATE PLANNING OFFICIAL, THUS ONLY HIGHLIGHTS FOLLOW: RYBNIKAR TOLD HIS VISITOR THAT BASIC OBJECTIVE OF SIXTH FYP WOULD BE MAINTENANCE OF AND FURTHER INCREASE IN STANDARD OF LIVING IN CZECHOSLOVAKIA, WITH EMPHASIS ON BROADENING SYSTEM OF SOCIAL WELFARE. HE WAS AWARE THAT THIS WOULD NOT BE A SIMPLE GOAL TO ATTAIN BECAUSE OF WHAT HE DESCRIBED AS -FANTASTIC COMPLICATIONS" AHEAD FOR NATION'S ECONOMY. ONE PROBLEM AREA THAT NEEDED IMMEDIATE ATTENTION WAS THE DECLINING QUALITY OF CZECHOSLOVAK EXPORTS, WHICH WERE EVEN BEGINNING TO HAVE A BAD TIME OF IT WITHIN CEMA TRADE. TO CORRECT THIS, RYBNIKAR SAID, GREATER EFFICIENCY MUST BE INTRODUCED INTO ALL SECTORS OF ECONOMY. IN AGRICULTURE, FOR EXAMPLE, ONE STEP BEING CONTEMPLATED TO ATTAIN 20 PERCENT GROWTH OVER PERIOD OF NEXT FYP IS TO CONSOLIDATE STATE FARMS INTO MUCH LARGER UNITS THAN AT PRESENT. SIMILAR RATIONALIZING MEASURES MUST BE UNDERTAKEN IN OTHER SECTORS.

4. NATIONAL INCOME, MOST COMMONLY CITED MEASURE OF MACRO-ECONOMIC GROWTH, WILL BE PROJECTED TO GROW FIVE PERCENT PER YEAR OVER NEXT FIVE YEARS (DOWN, EMBASSY NOTES, FROM 5.6 PERCENT ANNUAL RATE STIPULATED IN CURRENT FYP). RYBNIKAR EXPLAINED LOWER PLANNED GROWTH RATE AS RESULTING FROM CONSTRAINTS IMPOSED ON ECONOMY BY SEVERE LABOR SHORTAGE WHICH EVEN NEW POLICY OF ALLOWING INCREASED NUMBERS OF FOREIGN WORKERS INTO COUNTRY WOULD NOT RELIEVE IN SHORT RUN. AS REGARDS ENERGY, ANOTHER POTENTIAL LIMITING FACTOR TO GROWTH, PLANNING COMMISSION OFFICIAL ASSURED BROWNE THAT CZECHS FULLY EXPECT DELIVERIES OF SOVIET CRUDE OIL TO GO ON RISING AS THEY HAVE IN PAST, AT LEAST THROUGH TO END OF THIS DECADE. HE EXPRESSED NO CONCERN OVER REPORTS THAT RUSSIANS MIGHT GRADUALLY REDUCE CRUDE OIL SUPPLIES TO EASTERN EUROPE SIMPLY BY HOLDING THEM AT PRESENT LEVELS AS DEMAND IN EAST EUROPEAN COUNTRIES CONTINUED TO RISE. HE CONCEDED THAT CZECHOSLOVAKIA EXPECTED TO BUY SOME OIL FROM ARAB COUNTRIES OVER NEXT FIVE YEARS, BUT INSISTED THAT SUCH SUPPLIES WOULD REMAIN LIMITED OFFICIAL USE

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SUPPLEMENTAL TO IMPORTS OF SOVIET OIL WHICH WOULD BE SUFFICIENT TO CZECH NEEDS AT LEAST UNTIL 1980.

5. AS REGARDS PRICES, RYBNIKAR TOLD BROWNE THAT A NEW WHOLESALE PRICE STRUCTURE WILL BE IMPLEMENTED AS SCHEDULED ON JANUARY 1, 1977. RETAIL PRICES, HE SAID, WOULD NOT, REPEAT NOT, BE AFFECTED BY IMPENDING CHANGE IN WHOLESALE PRICES. WHEN ASKED AGAIN ON THIS POINT, RYBNIKAR REPORTEDLY REITERATED HIS STATEMENT THAT

RETAIL PRICES WOULD REMAIN UNTOUCHED WHEN NEW WHOLESALE PRICES ARE IMPLEMENTED IN 1977, AND FROM THIS BROWNE DREW IMPLICATION THEY WOULD NOT BE CHANGED BEFORE EITHER. (COMMENT: ON REFLECTION, RYBNIKAR'S REMARK COULD ALSO BE TAKEN TO MEAN THAT MOVEMENTS OF WHOLESALE AND RETAIL PRICES IN CZECH ECONOMY IN PRACTICE CAN MOVE INDEPENDENTLY OF ONE ANOTHER; THUS, RETAIL PRICES COULD MOVE UPWARD WELL BEFORE 1977 WITHOUT CONTRADICTING HIS STATEMENT TO BROWNE.) ON INFLATION, RYBNIKAR SAID THAT WHEN NEW AND MORE SOPHISTICATED GOODS REPLACE OLDER PRODUCTS ON THE MARKET, THERE IS A NATURALLY HIGHER PRICE TO BE PAID FOR SOPHISTICATION, AND THIS PHENOMENON OF COURSE OCCURS, PARTICULARLY IN CLOTHING AND CONSUMER DURABLES. GASOLINE PRICE INCREASES WERE HELD NON-INFLATIONARY, SINCE THEY HAD BEEN BALANCED BY TAX REBATES TO CAR OWNERS. RYBNIKAR NOTED THAT RECENT GOVERNMENT SURVEY HAD SHOWN PRICE DECLINES HAD ACTUALLY OCCURRED IN SOME ENGINEERING SECTORS SO THAT IT WAS FAIR TO SAY, ON BALANCE, THAT INFLATION CONTINUED TO BE HELD IN CHECK AT CONSUMER LEVEL.

6. ON HOUSING, STATE PLANNING OFFICIAL SAID GOVERNMENT NOW RECOGNIZED THAT PROBLEM WOULD NEVER BE SOLVED, THAT HUMAN WANTS WERE OPEN-ENDED, AND THAT AS SOON AS APARTMENTS BECAME MORE AVAILABLE THEY MERELY GAVE RISE TO LARGER FAMILIES WHICH LED TO MORE HOUSING PROBLEMS. IN 1950'S AND 60'S GOVERNMENT HAD THOUGHT PROBLEM COULD BE LICKED BY FORCED DRAFT CONSTRUCTION PROGRAMS, BUT NOW EVERYONE IN AUTHORITY WAS TAKING A LONGER-RUN (READ RELAXED) VIEW OF THINGS.

7. COMMENTING GENERALLY, RYBNIKAR TOLD BROWNE THAT MAJOR EFFORTS WERE NOW UNDERWAY TO REJUVENATE STAGNATING COAL INDUSTRY. FOR THIS AND SIMILAR TASKS IN OTHER BRANCHES, MANY FOREIGN CONSTRUCTION FIRMS WILL BE INVITED IN DURING NEXT FYP PERIOD, BUT MEASURES WILL BE TAKEN TO INSURE THAT ACTUAL PRESENCE OF FOREIGN WORKERS WILL NOT GREATLY INCREASE. IMPORTS OF MACHINERY AND LIMITED OFFICIAL USE

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TECHNOLOGY FROM WEST WILL REACH \$3.5 BILLION BETWEEN 1976 AND 1980, SAID RYBNIKAR, AND IF U.S. RESTORED MFN TO CZECHOSLOVAKIA, AMERICAN FIRMS COULD HOPE FOR A MUCH GREATER SHARE OF THIS MARKET THAN THEY MAY UNDER PRESENT CIRCUMSTANCES. FINALLY, BROWNE WAS TOLD THAT PROSPECTS FOR JOINT VENTURES BETWEEN CZECHOSLOVAK ENTERPRISES AND WESTERN FIRMS DID NOT EXIST.

8. FOR USNATO: EMBASSY HAS NO OBJECTIONS TO SUBSTANCE OF THIS REPORT BEING PASSED TO OTHER DELEGATIONS ON ECONAD SO LONG AS SOURCES ARE PROTECTED.  
FRISBIE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC GROWTH, FIVE YEAR PLAN, PRESS CONFERENCES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** izenbei0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975PRAGUE02014  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750274-0691  
**From:** PRAGUE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750869/aaaacjei.tel  
**Line Count:** 165  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** izenbei0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 APR 2003 by Izenbei0>; APPROVED <24 SEP 2003 by izenbei0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** A FIRST GLIMPSE AT SIXTH FIVE-YEAR PLAN (1976-1980)  
**TAGS:** EALR, ECON, CZ, (BROWNE, MALCOLM)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006